IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

No. [redacted] 71

ROSCOE A. COFFMAN,
Plaintiff-Appellant,

vs.

FEDERAL LABORATORIES, INC., and
BREEZE CORPORATIONS, INC.,
Defendants-Appellees.

UNITED STATES OF AMERICA,
Intervenor.

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF NEW JERSEY.

BRIEF OF APPELLANT IN OPPOSITION TO MOTION TO AFFIRM.

JAMES D. CARPENTER, JR.,
Of Counsel with Plaintiff-Appellant,
75 Montgomery Street,
Jersey City 2, N. J.

Pandick Press, Inc., 22 Thames St., New York 6, N. Y., U. S. A.

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The motion to affirm filed by the Solicitor General sharply presents the question whether an inventor who is entitled to royalties under an agreement made long before the war may file a bill in equity in a federal district court to restrain his licensees from paying royalties actually due to him to the Treasurer of the United States in compliance with Royalty Adjustment Orders made under the provisions of the Royalty Adjustment Act of 1942 (56 Stat. 1013, 35 U. S. C. Supp. III, 89-96).

Plaintiff is the inventor of the Coffman airplane cartridge-starter and cartridges or shells for use therein which are used in a large percentage of the aircraft used by the United States and its Allies in this war. The starters are set in motion by the control of the gases generated from the burning of the charge contained in the shells in the manner and method described in the patents. Coffman granted an exclusive license December 8, 1932 to Federal Laboratories, Inc., and alternately to its successor in business, the defendant Breeze Corporations, Inc., to make, use and sell devices and shells embodying the inventions, types and designs set forth in plaintiff's patents, and licensees agreed to pay Coffman six per cent of the net sales prices of all starters, parts for starters and cartridges that they should make and sell.

Payment of royalties to plaintiff was stopped by notice served by the War and Navy Departments in February and March, 1943, under the provisions of the Royalty Adjustment Act aforesaid. Although that act requires an order fixing the rates of royalties to be issued within a reasonable time, the Royalty Adjustment Orders complained of in this case were not served until late in December 1943. They *permitted* licensees to pay licensor $8.00 per starter, but in no event more than $50,000 in any one year commencing January 1, 1943, and denied plaintiff all royalties on parts for starters and cartridges.

Although plaintiff's royalties at the six per cent rate between January 1, 1943 and the issuance of the Royalty Adjustment Orders exceeded $250,000, said orders demanded that the licensees forthwith pay all royalties in excess of $50,000 for the year 1943 to the Treasurer of the United States.

Plaintiff having been paid no royalties by his licensees for the year 1943, promptly filed in the United States Dis-

trict Court for the District of New Jersey a verified complaint praying an injunction restraining his licensees from paying his money, in excess of $50,000, to the Treasurer of the United States as required by the Royalty Adjustment Orders. His complaint charged that there was due and owing plaintiff to November 30, 1943 approximately $260,000, of which approximately $210,000 was owing him by defendant Breeze Corporations, Inc. and the balance by Federal Laboratories, Inc. The complaint charged that the Royalty Adjustment Act and the orders made thereunder were null and void as taking his vested rights without just compensation, without due process of law, and that said act having no standards violated Article I, Paragraphs 1 and 8 of the Constitution.

The complaint showing that irreparable damage would ensue to the plaintiff unless an injunction was issued, a special three-judge court was immediately summoned, a temporary injunction was issued and immediately served, and notice was given to the Attorney General, all as required by the act of August 24, 1937 (C. 754, Sec. 3, 50 Stat. 752, 28 U. S. C. 380a).

The Attorney General duly intervened in the action and filed a motion to dismiss alleging that the complaint did not present a case or controversy entitling the plaintiff to a decision of the constitutional questions; and that the Royalty Adjustment Act and the orders issued thereunder were valid.

After argument the special court dismissed the complaint, holding in its opinion that since the inventor might sue the licensee in an action at law and therein raise the question of the legality of the Royalty Adjustment Orders and the constitutionality of the Royalty Adjustment Act aforesaid, and since the licensee did not contest the inventor's right to an injunction there was no justiciable con-

troversy to support the bill, and granted the motion of the United States as intervenor to dismiss the complaint.

Forthwith upon the signing of a decree of dismissal plaintiff's appeal was allowed, the order allowing the appeal also allowing the plaintiff an injunction until the further order of this court. No motion has been made to lift this injunction, which, of course, will fall if this motion to affirm is granted.

It is elemental that this case having been decided below on a general demurrer, i. e., a motion to dismiss, all the allegations of the complaint that are well pleaded are admitted for the purposes of the case.

United States v. *Linn*, 1 How. 104;
Livingston v. *Story*, 9 Pet. 632;
Christmas v. *Russell*, 5 Wall. 290;
Concordia Ins. Co. v. *School Dist.*, 282 U. S. 545.

I.

The Royalty Adjustment Orders by their terms show the necessity of appellant having injunctive relief.

We respectfully invite the court to examine Royalty Adjustment Orders No. W-9 (made by the War Department December 18, 1943) and No. N-7 (made by the Navy Department December 23, 1943), which are identical in form. These Orders recite "that the rates or amounts of royalties, provision for the payment of which by Licensee to Licensor is made in an agreement dated December 8, 1932, were believed to be unreasonable or excessive taking into account the conditions of wartime production" etc. The Order shows that written notice was given on or about March

3, 1943 to Licensor and Licensee "and that until the making of an order herein no royalties should be paid by Licensee to Licensor". The Royalty Adjustment Orders provide:

"(1) Fair and just rates and amounts of royalties for the manufacture, use, sale or other disposition of said alleged inventions are hereby determined, fixed and specified to be as follows:

(a) Upon each starter sold to or for either the War Department or the Navy Department, the sum of Eight ($8) Dollars each, and

(b) upon parts and cartridges sold to or for either the War Department or the Navy Department, no royalties;

but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 in respect of starters sold to or for the War Department and the Navy Department added together.

"(2) Until further Order, *Licensee is hereby authorized to pay to Licensor*, on account of any manufacture, use, sale or other disposition of said alleged inventions for the Navy Department heretofore occurred, or hereafter occurring while Sections 1 and 2 of said Act remain in force, *royalties at the rate and not to exceed* the amount determined, fixed and specified in paragraph (1) hereof, and no more, under

(a) the above-mentioned license agreement dated December 8, 1932, and

(b) any license or arrangement between Licensor and Licensee entered into on or after the effective date of said notice and during the time that Sections 1 and 2 of said Act remain in force which in any respect continues, supplements,

modifies or supersedes the license referred to in subparagraph (a) hereof or the present arrangement under which said royalties are paid.

"(3) *Licensee is hereby directed to pay over to the Treasurer of the United States,* through Commanding General, Army Air Forces Materiel Command, attention, Royalty Adjustment Board, Wright Field, Dayton, Ohio, *the balance, in excess of the* payments authorized by paragraph (2) hereof, *of all royalties specified in the licenses* or arrangements referred to in paragraph (2) hereof *which were due to Licensor* and were unpaid *on the effective date of said notice,* or since said date have *or may hereafter become due to Licensor,* on account of any manufacture, use, sale or other disposition of said inventions for the War Department or the Navy Department heretofore occurred or hereafter occurring while Sections 1 and 2 of said Act remain in force; and *demand is hereby made for payment forthwith of so much of said balance as is now due to Licensor.*" (Italics supplied for emphasis.)

In mandatory terms both Royalty Adjustment Orders did nothing less than direct plaintiff's licensee forthwith to pay plaintiff's money owing him by his licensee to the Treasurer of the United States.

Paragraph (3) of the Royalty Adjustment Orders compelled the licensor Coffman either to seek injunctive aid from the courts, or by inaction suffer his money to be paid over to the Treasurer of the United States.

The Solicitor General is in error when he contends that plaintiff has no interest at stake requiring a determination of the constitutional validity of the Royalty Adjustment Act. Had plaintiff's licensees paid *his* money to the United States under these Orders, then plaintiff in any other action against his licensees to recover his royalties in excess of

$50,000 per annum, would have been met either with a motion to dismiss for want of a cause of action under Paragraph 1 of the Royalty Adjustment Act; or with a plea of payment to the Treasurer of the United States pursuant to the command of the Royalty Adjustment Orders made pursuant to the provisions of the Royalty Adjustment Act; or, that plaintiff's moneys had been taken by the United States under its power of eminent domain, and there is a strong probability that either of such motions or pleas would be held valid if plaintiff had not promptly acted to preserve his rights.

> The property of A being confiscated under the acts and by the courts of a foreign state, and a commissioner appointed to collect the debts due to his estate, payment to that commission of a note given by B to A in Connecticut before the confiscation shall discharge B from any further liability therein.
>
> *Baldwin* v. *Kellogg*, 1 Day. (Conn.) 4.

See also

> *Security Bank* v. *California*, 263 U. S. 282;
> *Anderson National Bank* v. *Ludset, Commissioner*, (Oct. Term 1943; decided Feb. 28, 1944).

Plaintiff's right to file a complaint for an injunction under the facts and circumstances of this case is under the doctrine that equity will not suffer a wrong without a remedy. *Independent Wireless Tel.* v. *Radio Corporation of America*, 269 U. S. 459.

Furthermore, the Royalty Adjustment Act by its terms provides: "The Licensor shall not have any remedy by way of suit, set-off, or other legal action against the Licensee

for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such Licensor's sole and exclusive remedy except as to the recovery of royalties fixed in said order shall be as provided in Section 2 hereof." (Par. 1.)

Section 2 provides for an exclusive remedy by suit in the Court of Claims (except as to cases involving less than $10,000) "to recover such sum, if any, as, when added to the royalties fixed and specified in such order shall constitute fair and just compensation to the licensor * * * taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement."

It is to be observed that Paragraph 1 of the act in terms forever deprives plaintiff of any remedy by suit or other legal action against his licensees for the payment of any royalties in excess of the $50,000 maximum, and it cannot be denied that if Section 1 of the Royalty Adjustment Act is valid plaintiff never can bring or prosecute the form of action which the court below said plaintiff might bring in order to raise the question of the constitutionality of the Royalty Adjustment Act.

We are not attempting here to argue this case on the merits and show that this exclusive remedy in the Court of Claims does not give this plaintiff just compensation. We merely wish to point out that plaintiff's valuable contract rights were so threatened that they would have been forever lost had an injunction not been issued and served before his money was paid over to the Treasurer of the United States as required by the Royalty Adjustment Orders.

There is not a word in the statute which justifies the administrative agency ordering any of a licensor's royalties paid to the

II.

Plaintiff's suit was improperly dismissed not only because there was a justiciable controversy, but moreover plaintiff's property rights were threatened with destruction and could only be saved by an injunction.

That this is a justiciable controversy, is settled by the decision of Mr. Chief Justice Hughes in *Aetna Life Insurance Co.* v. *Haworth*, 300 U. S. 227, 240.

Here there was a concrete case admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged, and in such cases "the judicial function may be appropriately exercised although the adjudication of the rights of the litigants may not require the award of process or the payment of damages. *Nashville, C. & St. L. R. Co.* v. *Wallace*, 288 U. S. 263 (and other cases cited by Chief Justice Hughes)."

This case in principle is strikingly like *Vicksburg Waterworks Co.* v. *Vicksburg*, 185 U. S. 65, where the bill of complaint alleged that the Waterworks Company had a contract with the municipality supported by legislative sanction for a municipal water supply. The city passed an ordinance directing the Waterworks Company be notified that the city denied any liability on its contract for the use of hydrants and then held an election to authorize an issue of bonds to buy and construct waterworks of its own. The city refused to pay the amount due and payable under the terms of its contract with the Water Company. The Waterworks Company then filed a bill in the Federal Court to enjoin the city from taking further steps to violate its con-

tract with the plaintiff. Mr. Justice Shiras speaking for this court said:

> "It is further contended that the bill does not disclose any actual proceeding on the part of the city to displace complainant's rights under the contract, that mere apprehension that illegal action may be taken by the city cannot be the basis of enjoining such action, and that therefore the circuit court did right in dismissing the bill. We cannot accede to this contention. It is one often made in cases where bills in equity are filed to prevent anticipated and threatened action. But it is one of the most valuable features of equity jurisdiction, to anticipate and prevent a threatened injury, where the damages would be insufficient or irreparable. The exercise of such jurisdiction is for the benefit of both parties; in disclosing to the defendant that he is proceeding without warrant of law, and in protecting the complainant from injuries which, if inflicted, would be wholly destructive of his rights."

In *Pennsylvania* v. *West Virginia*, 262 U. S. 553, this court said:

> "One does not have to await the consummation of threatened injury to obtain preventive relief. If the injury is certainly impending that is enough."

Other cases directly in point are:

Swift v. *United States*, 276 U. S. 311;
Euclid v. *Ambler Realty Co.*, 272 U. S. 365;
Pierce v. *Society of Sisters*, 268 U. S. 510;
City Bank v. *Schnader*, 291 U. S. 24;
Carter v. *Carter Coal Co.*, 298 U. S. 238.

There is no force in the insistence of the Solicitor General that plaintiff can have no relief merely because the

defendants have not invoked the Royalty Adjustment Act or the orders issued thereunder as an excuse for not complying with their obligation under the license agreement, or have not asserted the validity or invalidity of the act or orders, and did not offer any resistance or objection to the plaintiff's application for injunctive relief. Suppose, as we suspect, the licensee with fraud charges pending against it by the licensor, would have preferred to pay over the plaintiff's royalties to the United States? Would that fact deprive the plaintiff of the right to an injunction to prevent the wrongful disposition of plaintiff's own money? The question is not what was the attitude of the licensees toward the payment of plaintiff's royalties to the Treasurer of the United States; the question in fact is would the payment of all royalties due and to grow due to the plaintiff in excess of $8 per starter, with a maximum of $50,000 per annum, to the Treasurer of the United States, as the Royalty Adjustment Orders commanded, be destructive of plaintiff's vested rights? With the Royalty Adjustment Act (Section 1) forever preventing the licensor from suing licensees in any suit or legal action for the payment of any royalties in addition to $8 per starter, maximum $50,000 per annum, or damages for breach of contract or otherwise, it is to be expected that the licensees would remain quiescent and permit the contest to be conducted between the plaintiff on the one hand and the United States on the other.

When one considers the terms and effects of the Royalty Adjustment Orders and discerns that compliance therewith and payment of plaintiff's money, not licensee's money, to the Treasurer of the United States would have operated probably as a discharge of the licensee's debt to plaintiff-licensor, leaving him only with a right of action against the United States in the Court of Claims,—not on his contract

but only for just compensation for such use as was made of the plaintiff's patents in performance of Government work—it becomes clear that plaintiff's rights were saved solely and exclusively by the injunction issued in the court below, and which has been continued until the further order of this court by the order allowing the appeal.

The contention made by the Solicitor General that an injunction should not issue because the defendants are under no duress to comply with the Royalty Adjustment Orders "since the act does not subject them to any fines or penalties," is no reason for denying plaintiff an injunction as prayed for. Had plaintiff delayed until after his money was paid over as the orders directed his rights would have been lost through laches! The fact that the licensees were being sued by accensor in an accounting action in which they were charged with active fraud was a good and sufficient reason why the defendants unless restrained might promptly pay the Treasurer of the United States the royalties due plaintiff. Furthermore, the fact that the licensees did not in any way oppose the granting of an injunction is not a circumstance militating against the plaintiff's rights, for the licensees may have been well content to sit on the dock and watch him drown rather than throw him a line, in view of the charges made in the action above mentioned that was awaiting trial.

This suit was not filed in an effort merely to litigate a constitutional question which should be left to an action at law (which incidentally the Royalty Adjustment Act denies), nor to attempt academically to seek to set aside an act of Congress. The valuable, vested rights of the plaintiff, an inventor, were and are threatened with utter destruction and no other action of which counsel is aware was so appropriate and timely as this.

III.

The jurisdiction of this Court cannot be questioned.

It is respectfully submitted that the language of the act of August 24, 1937 (50 Stat. 752) required a special three-judge court to be summoned below because the constitutionality of the Royalty Adjustment Act of 1942 aforesaid was brought in question. That statute expressly provides that an appeal may be taken directly to this court "within thirty days after the entry of the order, decree or judgment granting *or denying* after notice and hearing an interlocutory or permanent injunction in such case." The decree of dismissal entered in the court below was unquestionably a decree denying plaintiff the injunction which he sought.

It is respectfully submitted that the motion to affirm should be denied.

Respectfully submitted,

JAMES D. CARPENTER, JR.,
Of Counsel with Plaintiff-Appellant,
75 Montgomery Street,
Jersey City 2, N. J.